

AMENDED IN SENATE JULY 5, 2001  
AMENDED IN ASSEMBLY MAY 3, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1234**

**Introduced by Assembly Member Pescetti**

February 23, 2001

---

---

An act to add Sections 857 and 857.1 to the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 1234, as amended, Pescetti. Public utilities: natural gas.

(1) Under existing law, no public utility may transfer or encumber in whole or in part any property necessary or useful in the performance of its duties to the public without prior authorization from the Public Utilities Commission.

This bill would require *the commission to require* any gas corporation that has entered into a specified settlement ~~before~~ *agreement adopted* by the commission, to put its historical gas gathering system, as defined, to auction not later than April 30, 2002. The bill would require the gas corporation to file a complete inventory of specified assets not later than February 28, 2002. The *bill* would require the commission to establish minimum terms and conditions applicable to the auction. The bill would require that the terms and conditions of any sale conducted pursuant to these provisions between an eligible bidder, as defined, and a gas corporation, be filed with the commission. Because a violation of the Public Utilities Act and a violation of an order by the commission are

crimes under existing provisions of law, the bill would create a state-mandated local program by expanding the definition of a crime.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 857 is added to the Public Utilities  
2 Code, to read:

3 ~~857. (a) Pursuant to the agreement adopted by Decision~~  
4 ~~97-08-055, the commission shall require any gas corporation that~~  
5 ~~has entered into a settlement before the commission, to put its~~

6 857. (a) *The commission shall require any gas corporation*  
7 *that has entered into a settlement agreement adopted by the*  
8 *commission in Decision 97-08-055, to put its historical gas*  
9 *gathering system to auction not later than April 30, 2002. For the*  
10 *purposes of this section and Section 857.1, a “historical gas*  
11 *gathering system” means any system listed on a utility’s asset*  
12 *inventory and classified as a gathering system prior to 1989.*

13 (b) Not later than February 28, 2002, any gas corporation  
14 ordered to put its historical gas gathering systems to auction  
15 pursuant to subdivision (a), shall be required to file with the  
16 commission a complete inventory of its historical *gas* gathering  
17 system. The inventory shall include a report on the current  
18 condition and status of all assets defined.

19 (1) This information shall be kept on file with both the utility  
20 and the commission and made available to any interested party  
21 upon request.

22 (2) Not later than 30 days from the date of enactment of this  
23 section, the utility shall be required to develop and maintain a list  
24 of all eligible bidders.

25 (c) Not later than 60 days from the date of submission of an  
26 inventory pursuant to subdivision (b), the commission shall  
27 determine which lines, if any, must be excluded from the auction

1 for purposes of maintaining gas service to existing customers. All  
2 other lines shall be put to auction immediately following the  
3 60-day period provided in this section.

4 (d) Concurrent with the time periods provided in this section,  
5 the commission shall establish minimum terms and conditions  
6 under which each auction will be conducted prior to April 30,  
7 2002.

8 (e) An “eligible bidder” under this section means:

9 (1) Any natural gas producer that has a direct production  
10 interest, mineral interest, or is a mineral leasee in the field in which  
11 the gathering system is located or serves.

12 (2) Any cooperative of producers that has a direct production  
13 interest, mineral interest, or is a mineral leasee in the field in which  
14 the gathering system is located or serves.

15 (f) Not later than seven days from the date the gas corporation  
16 receives an initial bid from an eligible bidder for any section of a  
17 gathering system pipeline, the gas corporation shall be required to  
18 do all of the following:

19 (1) File a notice of the pending bid with the commission.

20 (2) Notify all eligible bidders recorded on file by mail of the  
21 pending bid.

22 (g) All bidding processes conducted under this section shall be  
23 kept open for a period of 60 calendar days commencing with the  
24 receipt of an initial bid. The bidding process may not exceed a  
25 period of 60 days unless otherwise agreed to jointly by the utility  
26 and the party that submitted the initial bid. The gas corporation  
27 shall consider all bids submitted by an eligible bidder.

28 (h) Upon expiration of the 60-day open bidding process, the  
29 utility shall enter into a sales contract with the eligible bidder that  
30 submitted the highest bid. All sales transactions conducted  
31 pursuant to this section shall be completed and filed with the  
32 commission not later than 21 days from the close of the open  
33 bidding process.

34 (i) The terms and conditions of any sale conducted under this  
35 section shall be filed with the commission.

36 (1) All terms and conditions of sale under this section shall be  
37 deemed reasonable by the commission. The commission shall  
38 review all transactions conducted under this section not later than  
39 30 days from the date the sale closed between the purchaser and  
40 the utility.

(2) All sales conducted under this section shall reflect the best market value for the asset and be consistent with the terms and conditions established under subdivision (d).

(3) All gathering systems sold pursuant to this section shall include the transfer from the gas corporation to the purchaser of all easements and rights-of-way associated with the gathering system being sold.

(j) Under the terms and conditions of any sale conducted under this section, the utility shall retain all historical environmental liability associated with the line prior to its sale. Upon completion of the sale, the purchaser shall assume all future environmental liability. Environmental or hazardous conditions resulting from the utility's historical ownership of the system and requiring mitigation shall be funded through the utility's existing hazardous waste fund.

(k) (1) All pipeline assets sold pursuant to this section shall be governed by common carrier principles. Gathering system owners shall be authorized to assess users rates on producers with nonownership interests. All rates assessed under this section shall be market-based and reflect the actual purchase cost of the line, as well as the actual operational costs of the line.

(2) All transport rates entered into under this section shall be filed with the commission.

(l) Gas corporations affected by this section may not be required to offer for sale any eligible gathering system after December 31, 2003.

(1) Any eligible system that does not receive a bid on or before December 31, 2002, shall remain the sole property of the gas corporation in question.

(2) Any gas corporation affected by this act shall be authorized to continue to maintain, operate, or retire any gathering system remaining in its inventory after December 31, 2002, subject to all applicable commission rules and regulations.

SEC. 2. Section 857.1 is added to the Public Utilities Code, to read:

857.1. Gas corporations operating in California shall be required to provide connections to their backbone system for any new proposed gathering system seeking a connection. Requests for a connection shall be filed with the commission, and reviewed

1 and processed by the gas corporation not later than 60 days from  
2 the date of receipt of the request.

3 SEC. 3. No reimbursement is required by this act pursuant to  
4 Section 6 of Article XIII B of the California Constitution because  
5 the only costs that may be incurred by a local agency or school  
6 district will be incurred because this act creates a new crime or  
7 infraction, eliminates a crime or infraction, or changes the penalty  
8 for a crime or infraction, within the meaning of Section 17556 of  
9 the Government Code, or changes the definition of a crime within  
10 the meaning of Section 6 of Article XIII B of the California  
11 Constitution.

